

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 2066 – Statewide Local Option School Infrastructure Sales Tax (SILO) (LSB 5058 YH)
Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.state.ia.us)
Fiscal Note Version - New

Description

House File 2066 repeals the school infrastructure local option sales tax (SILO), increases the State sales and use tax from 5.0% to 6.0%, and requires the increase to be designated for school infrastructure purposes or property tax relief. The Bill eliminates the statewide distribution per student of \$575 and replaces it with a statewide rolling average. The Bill also requires revenues generated from the increase in the State sales and use tax to be distributed to school districts based on the distribution formula used to distribute SILO funds. Additional funds remaining from the Secure an Advanced Vision for Education (SAVE) Fund are deposited in the Property Tax Equity and Relief (PTER) Fund and will be used to provide property tax relief through the school aid formula.

In addition, the Bill increases the motor vehicle use tax from 5.0% to 6.0% and requires increased revenues to be deposited in the Transportation Investment Moves the Economy in the Twenty-first Century (TIME-21) Fund.

Background

All 99 counties have approved the school infrastructure local option sales tax. Through December 2007, 24 counties have authorized extensions of SILO.

Assumptions

Assumptions include:

- Annual sales and use tax and SILO tax revenues will increase by 1.9% (based on the Revenue Estimating Conference (REC) growth estimate for FY 2009) for FY 2009 through FY 2014.
- Department of Revenue FY 2008 SILO estimates by county are used as a base for county and school district estimates for FY 2009 – FY 2014.
- For school aid property tax purposes, this analysis assumes a 4.0% allowable growth rate for FY 2011 through FY 2014 and the following statewide taxable valuation increases:
 - FY 2009 – 5.5%
 - FY 2010 – 4.9%
 - FY 2011 – 5.2%
 - FY 2012 – 4.8%
 - FY 2013 – 5.2%
- County level enrollments for FY 2009 are used for per pupil distributions in estimates for FY 2010 – FY 2014.
- Excess SAVE funds credited to the PTER Fund for FY 2009 will not be available for property tax relief until FY 2011.
- Excess SAVE funds credited to the PTER Fund will be deposited in mid-November and paid to school districts July 1 of the following year. The estimated interest rate earned on the PTER Fund is assumed to be 4.0%. The interest will be deposited in the State General Fund.

Fiscal Impact

State General Fund: The estimated increase in the State General Fund resulting from interest earned is \$650,000 in FY 2010 and \$670,000 in FY 2011.

Local School Districts: The following table provides a breakdown of the sales and use tax revenues designated to the SAVE Fund and PTER Fund. In addition, a summary of impact by school district is located on the LSA web site at: http://staffweb.legis.state.ia.us/lfb/Docs/k-12_ed/silo/silo.htm

	Estimated Sales and Use Tax Deposited to SAVE Fund	Estimated SILO Distribution from SAVE Fund	Estimated Amount Deposited from SAVE to PTER Fund	Property Tax Relief to School Districts
FY 2009	\$ 400,280,000	\$ 372,231,400	\$ 28,048,600	N.A.
FY 2010	407,885,320	379,303,797	28,581,523	N.A.
FY 2011	415,635,141	386,510,569	29,124,572	\$ 28,048,600
FY 2012	423,532,209	393,854,270	29,677,939	28,581,523
FY 2013	431,579,321	401,337,501	30,241,820	29,124,572
FY 2014	439,779,328	408,962,913	30,816,414	29,677,939

TIME-21 Fund: The estimated revenue impact resulting from the increase in the motor vehicle use tax deposited to TIME-21 is an increase of \$53.0 million for FY 2009 and \$54.0 million for FY 2010.

Sources

Iowa Department of Revenue
Iowa Department of Education
Iowa Department of Management
Revenue Estimating Conference
LSA calculations

/s/ Holly M. Lyons

February 25, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
